

# Arkansas Health Information Exchange Finance Workgroup

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**MARCH 19, 2010**  
**ARKANSAS CENTER FOR HEALTH  
IMPROVEMENT**  
**MAIN CONFERENCE ROOM**  
**8:30 AM TO 10:30 AM**

# Welcome & Introductions

# SHARE

## Finance Principles

# Finance Principles

## APPROVED UNANIMOUSLY

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- “The ultimate goal of SHARE and other HIT-related projects should be to improve health and health care delivery for Arkansans. Our desire is to finance an HIE system that will improve the health and well-being of Arkansans in the most efficient and effective manner possible.”
- “SHARE’s subscription and/or fee models will be properly developed to minimize the impact of user costs and provide incentives for utilization of services by all users.”
- “Long-term funding of SHARE’s costs cannot be borne solely by any one stakeholder group or user group.”
- “The business case(s) for SHARE must include expected return on investment, business value, cost savings, and a sustainable business model that includes public and private financing mechanisms.”
- “SHARE’s operational revenue must be easily collectable and come from stable sources of funding.”
- “SHARE will work with all HIT-related partners to leverage existing technologies, assets, funds, and other resources whenever possible, with initial efforts focused on existing uses of technology and on existing but underutilized technologies.”

# Finance Principles FOR DISCUSSION

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- “Every citizen of Arkansas should participate in the cost of SHARE because every citizen will benefit.”
  - 1 yes – 3 no
  - Ultimately costs are passed on to consumers/taxpayers, but I'm not sure there should be direct charges to "every citizen.”
  - It is my firm belief that this should be a part of the financing plan. The trick is to find a mechanism that indeed touches every Arkansan and is easily collectable.

**RECOMMEND:** Include, but edit.

# Finance Principles FOR DISCUSSION

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- “Financing of SHARE will ensure fair distribution and equitable allocation of costs for financial support.”
  - 2 yes – 1 no – 1 not voting
  - I don't understand what this means.
  - I believe it should be stated as an intent (such as "Financing of SHARE should ensure ...") and not as a definitive statement.
  - I think that this will be the hardest part to develop.

**RECOMMEND:** “SHARE’s financing should ensure fair distribution and allocation of costs to users/citizens.”

# Finance Principles FOR DISCUSSION

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- “SHARE will provide adequate financing to ensure security and privacy of exchanged information.”
  - 3 yes – 1 no
  - Unless this assurance is present, the public will not support this venture.

**RECOMMEND:** “SHARE should provide adequate funding to ensure security and privacy of exchanged information.”

# Finance Principles FOR DISCUSSION

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- “Arkansas Medicaid will share in the development and operational costs of SHARE.”
  - 3 yes – 1 no
  - Can we add something to the effect of "to the extent that (or because) there are benefits to Arkansas Medicaid and its members" or something about benefits?
  - I don't think that any single payer should be defined in the underlying principles of SHARE.
  - If they are going to be a heavy user of the system, then yes.

**RECOMMEND:** Do not include because no payer should be defined in Principles, but include in “Key Assumptions.”



# Finance Principles FOR DISCUSSION

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- “Initial foundational/infrastructure costs of SHARE should not come from user/subscriber fees.”
  - 3 yes – 1 no
  - I don't see how you can charge for what you can't deliver in the early stages. That would put them in the category of an investor, not just a user.

**RECOMMEND:** Do not include, which leaves more flexibility for financing options (ie short-term loan) OR if included, clarify statement: “Funding of SHARE’s initial infrastructure should not be financed through future user/subscription fees.”

# SHARE

## Finance Workgroup

### Strategic Plan

### Straw Proposal

# Strategic Plan Straw Proposal

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- **Strategic Plan Guidelines from HIE Toolkit:**
  - A state's strategic plan should address both short term and long term financing dimensions. These include:
    - ✦ Pricing models for HIE services
    - ✦ Stakeholder contributions and/or willingness to pay for services at a regional, state or vendor level
    - ✦ The role of the state including the potential for health care methodologies to directly or indirectly subsidize the cost associated with the HIE services
  - A Strategic Plan must include a business plan enabling financial sustainability of governance of operations by the end of the Project period:
    - ✦ Describe initial plans related to financial sustainability
    - ✦ Show how sustainability plan is endorsed by stakeholders

# Strategic Plan Straw Proposal

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- Review/Edit Comments on Components of Finance Strategic Plan Straw Proposal:
  - Key Assumptions
  - Finance Principles
  - Pricing Models for HIE Services
  - Innovative Partnerships
  - Stakeholder Contributions/Willingness to Pay
  - Role of the State of Arkansas
  - Financial Sustainability
  - Endorsement of Stakeholders

# SHARE Finance Workgroup

## Next Steps

# Recommendations to Executive Committee

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- **Finance Principles**
  - Will present recommended principles to Executive Committee at March 26 meeting for their discussion/approval
- **Strategic Plan Straw Proposal**
  - Will send edited version to Workgroup early next week for final vote of approval/disapproval
  - If approved by Workgroup, will present recommendation to include in Strategic Plan to Executive Committee at March 26 meeting for their discussion/approval
  - Will revise/edit as needed based on input from both Workgroup and Executive Committee

# Develop Operational Plan Straw Proposal

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- **Operational Plan Guidelines from HIE Toolkit:**
  - Provide detailed cost estimates, timelines and operational plans for obtaining financing and implementing a sustainable business plan aligned with the Strategic Plan.
    - ✦ High-level budget should be outlined
    - ✦ Describe the staffing plan
    - ✦ Describe processes, timelines, milestones for achieving operational status related to financial management
    - ✦ Describe the timeline, milestones, activities related to developing and implementing a financing plan and business model
- **REVIEW plans from other states:**
  - Maryland – DRAFT
  - New Mexico – APPROVED

# MD DRAFT Strat & Op Plans – p18 & p41

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Model Assumptions	Adoption Rates					
Use Cases	Subscription/ Month	Assessment Unit	2010	2011	2012	2013
National Laboratory Results Delivery	\$10	Per doc	30%	50%	70%	90%
Hospital Laboratory Results Delivery	\$2	Per doc	10%	30%	50%	70%
Local Laboratory Results Delivery	\$3	Per doc	10%	30%	50%	70%
ED/Hospital Discharge Summaries to Physicians/Clinics	\$10	Per doc	10%	30%	50%	70%
ED/Hospital Discharge Summaries to ED/Hospital	\$2,000	Per facility	10%	30%	50%	70%
Clinical Summary to EDs	\$2,000	Per facility	0%	0%	30%	50%
Clinical Summary to Physicians/Clinics	\$10	Per doc	0%	0%	10%	30%
National Radiology Results Delivery	\$5	Per doc	0%	30%	50%	70%
National Radiology Results History	\$1,000	Per facility	0%	30%	50%	70%
Hospital Radiology Results Delivery	\$1	Per doc	0%	0%	10%	30%
Hospital Radiology Results History	\$350	Per facility	0%	0%	10%	30%
Local Radiology Results Delivery	\$2	Per doc	0%	0%	10%	30%
Local Radiology Results History	\$650	Per facility	0%	0%	10%	30%
<b>Max Subscription – All Services</b>	<b>\$43</b>	<b>Per doc</b>				
<b>Max Subscription – All Services</b>	<b>\$6,000</b>	<b>Per facility</b>				



# MD DRAFT Strat & Op Plans – p42

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Overhead Items	2010	2011	2012	2013
Rent	\$36,000	\$37,260	\$38,564	\$39,914
Utilities	\$24,000	\$24,840	\$25,709	\$26,609
Outreach and Communication	\$60,000	\$60,000	\$7,500	\$7,763
Legal Services	\$85,000	\$85,000	\$8,000	\$8,280
Liability Insurance	\$12,000	\$12,420	\$12,855	\$13,305
Office Expenses/Other SG&A*	\$193,957	\$192,940	\$137,388	\$135,757
<b>Total Overhead</b>	<b>\$410,957</b>	<b>\$412,460</b>	<b>\$230,016</b>	<b>\$231,628</b>
*SG&A = Selling, General, and Administrative Expenses				

# NM APPROVED Strat & Op Plans – p152

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The following table includes estimates of potential savings and/or cost avoidance from eight examples. The assumptions that were used to estimate these savings are described in Appendix J.

Areas of Savings and/or Cost Avoidance	Estimate of Annual Savings
Avoiding unnecessary ambulatory visits caused by missing patient data	\$1,509,200
Avoiding unnecessary referrals to Emergency Departments (other than ADEs) caused by missing patient data	\$576,000
More efficient information sharing within Emergency Departments	\$686,400
Reduced number of adverse drug events (ADEs) which require Emergency Department visits	\$365,000
Reduction in redundant laboratory testing	\$1,000,000
Reduction in redundant imaging services	\$280,500
Improved lab and imaging staff efficiency	\$180,000
Improved staff efficiency by electronic sharing of patient records among hospitals	\$59,059
<b>Total Annual Savings for Albuquerque</b>	<b>\$4,656,159</b>
Savings from the rest of the state (estimated to be 30% of Albuquerque savings)	\$1,396,848
<b>Total Annual Savings/Cost Avoidance in New Mexico</b>	<b>\$6,053,007</b>

# NM APPROVED Strat & Op Plans – p173

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## Appendix I: Total Annual Benefit to Payers Table

Total Annual Benefit to Payers by HIEI Level 4						
Payer Benefit from:	Level 2	Level 3	National Savings to Payers Level 4	New Mexico %	NM Savings to Payers	NM Savings to Payers 10% Savings
			billions	(% health \$)	millions of 2008 dollars	millions of 2008 dollars
Provider-Lab	\$0.74	\$1.09	\$3.76	0.55%	\$20.70	\$2.07
Provider-Radiology	\$1.59	\$1.96	\$8.04	0.55%	\$44.20	\$4.42
Provider-Payer	\$0	\$0	\$9.84	0.55%	\$54.10	\$5.41
Total	\$2.32	\$3.06	\$21.60	0.55%	\$119.00	\$11.90

# NM APPROVED Strat & Op Plans – p179

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## Summary

This discussion is not comprehensive, but it does derive from Albuquerque efforts to quantify HIE benefits, based on local workload and current health information exchange activities. All benefits are based on extremely conservative estimates. Quality benefits are only assessed in relation to adverse drug events; other quality improvements are likely. Also, no attempt was made to calculate patient benefits from their reduced work in exchanging or tracking their health information.

	HIE Benefit
Ambulatory Visits	\$1,509,200
ED Referrals	\$576,000
ED Efficiency	\$686,400
Adverse Drug Events	\$365,000
Laboratory Redundancy	\$1,000,000
Image Redundancy	\$280,500
Lab/Image Staff Efficiency	\$180,000
Medical Records Exchange	\$59,059
<b>Albuquerque Total</b>	<b>\$4,650,159</b>
Estimated State Supplement	\$1,396,848
<b>New Mexico Total</b>	<b>\$6,053,007</b>

# Develop Operational Plan Straw Proposal

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- **Operational Plan Straw Proposal:**
  - Based on realities faced in AR
  - More specific details
  - Aligned with other Workgroup approaches
  - Includes budgets for all phases (plan, implement, sustain)
  - Includes reporting requirements
  - Includes potential fee structures
- **Drafting, Recommendation to EC**
  - Staff will draft a straw proposal
  - Workgroup will give comments
  - Workgroup will approve recommended Operational Plan through same basic process as we used for Strategic Plan
  - Will present to Executive Committee for discussion/approval